



AmInvestment Bank

Company report

AmInvestment Bank
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PROTASCO BERHAD

(PRTA MK EQUITY, PRTO.KL)

CONSTRUCTION

22 Dec 2017

Bags PPA1M construction job

BUY

(Maintained)

Rationale for report: Company update

Price RM1.07
Fair Value RM1.39
52-week High/Low RM1.29/RM0.95

Key Changes

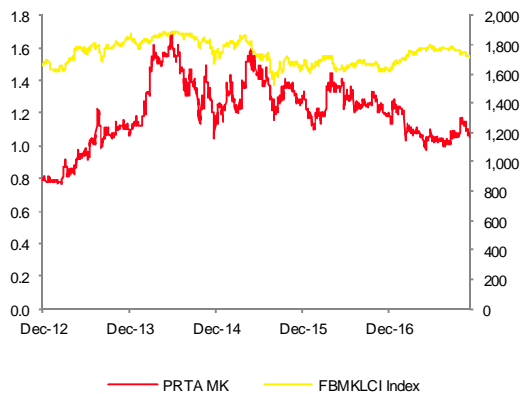
Fair value
EPS

Table with 5 columns: YE to Dec, FY16, FY17F, FY18F, FY19F. Rows include Revenue, Core net profit, FD Core EPS, FD Core EPS growth, Consensus Net Profit, DPS, PE, EV/EBITDA, Div yield, ROE, and Net Gearing.

Stock and Financial Data

Table with 2 columns: Metric, Value. Rows include Shares Outstanding, Market Cap, Book Value, P/BV, ROE, Net Gearing, and Major Shareholders.

Table with 4 columns: Price performance, 3mth, 6mth, 12mth. Rows include Absolute (%) and Relative (%) performance.



Investment Highlights

- We raised our FY18-19F forecast by 6% and 12% respectively, increase our SOP - based FV by 5% to RM1.39 (Exhibit 1) (vs RM1.33) and maintain our BUY call.
This follows the award by Unit Perumahan Penjawat Awam 1Malaysia, Jabatan Perdana Menteri to the 51:49 Protasco Development Sdn Bhd (wholly owned) - Kop Mantap Berhad for the construction of 1,681 unit apartments under the Pembangunan Projek Perumahan Penjawat Awam 1Malaysia (PPA1M) in Putrajaya, worth RM442.7mil. Protasco's share is RM225.9mil and the job is expected to be completed within the next 30 months.
This recent award would contribute positively for Protasco's FY18 earnings and beyond. This contract has boosted Protasco's YTD job wins to RM312mil (which has surpassed our full year FY17F forecast assumption of RM135mil) and outstanding construction order book to RM813mil (Exhibit 2).
The earnings upgrade is to reflect the upward revision in our job replenishment assumption for FY17F to RM312mil. Meanwhile, we are keeping our assumption for job wins in FY18-19F of RM150mil and RM200mil respectively.
We continue to like Protasco for: 1) the recurring income stream from its road maintenance concessions with an outstanding value of RM4.0bil which will last until 2026 (and beyond if they are renewed); 2) its growing conventional construction business, particularly the affordable housing segment; 3) the tremendous value of its landbank in Bangi, KL; and 4) its attractive dividend yield of 5-7% per annum.

**EXHIBIT 1: SOP VALUATION**

Division	Methodology	Basis	Valuation	
			(RM mil)	(RM/share)
Concession	DCF	Discount rate: 8.35%	97.20	0.23
Construction	P/E	10x	222.55	0.53
Land	RNAV	50% discount	223.18	0.53
Others	P/E	8x	45.56	0.11
SOP FV			588.49	1.39

Note:-Others: Engineering services, Trading & Manufacturing, Education and Others.

Source: Company, AmInvestment Bank Bhd

**EXHIBIT 2: OUTSTANDING CONSTRUCTION ORDER BOOK**

	Outstanding Orderbook (RM Mil)
PPA1M Putrajaya (Precinct 16), Phase 2	287
Road construction in Sibul & Bintulu, Sarawak	51
Road connection work at Old Klang Road-New Pantai Expressway	10
Construction of Sungai Besi – Ulu Klang Elevated Expressway	153
Infrastructure Works for Development of Pulau Indah Industrial Park, Phase 3C	86
PPA1M Putrajaya Phase 4	226
<b>Total</b>	<b>813</b>

\*As of 30/9/2017

Note: Protasco received LOI for PPA1M Putrajaya (Precinct 5), Phase 3 (Total: RM120m)

Source: Company, AmInvestment Bank Bhd

**EXHIBIT 3: ROAD MAINTENANCE CONCESSION OUTSTANDING ORDER BOOK**

Concession	Stake	Start	End	Orderbook (RM mil)		
				Routine	Periodic	Total
Roadcare - Federal Road (Pahang, Terengganu, Kelantan & Selangor)	51%	Feb-16	Jan-26	1,541	1,975	3,516
HCM Engineering - Federal Roads (Sarawak)	100%	Sep-03	Aug-18	22	87	109
Empayar Indera - State Roads	51%	Jan-13	Dec-19	78	77	155
Empayar Indera - Agriculture Roads	51%	Feb-17	Feb-19	49	20	69
HCM Kijang Sdn Bhd - State Roads (Kelantan)	60%	Aug-16	Aug-26		129	129
PG HCM - Rural Roads (Terengganu)	70%	May-17	Apr-22	26	17	43
<b>Total</b>				<b>1,716</b>	<b>2,305</b>	<b>4,021</b>

\*As of 30/9/2017

Source: Company, AmInvestment Bank Bhd

EXHIBIT 4: PB BAND CHART

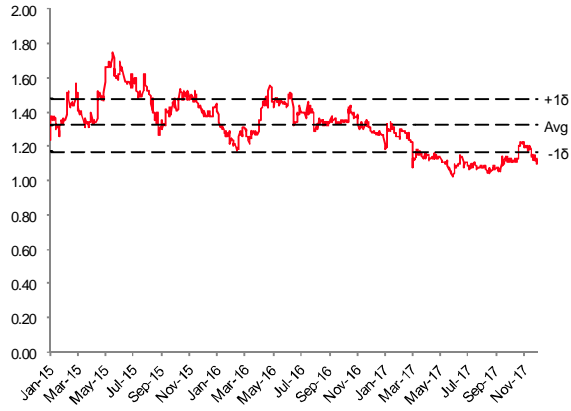
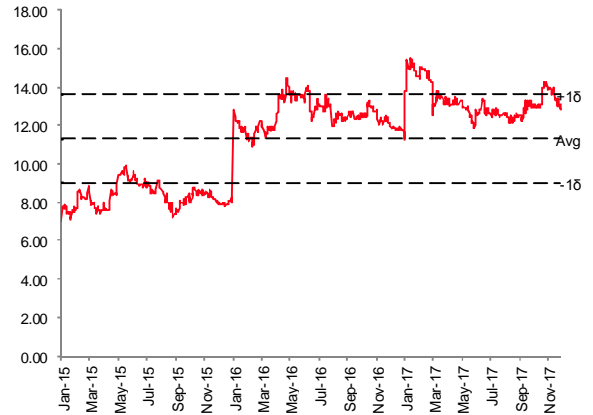


EXHIBIT 5: PE BAND CHART



## EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	1,305.0	1,110.2	1,072.4	1,217.7	1,276.3
EBITDA	149.0	101.6	87.9	105.5	115.7
Depreciation/Amortisation	(15.9)	(16.6)	(19.3)	(21.3)	(23.3)
Operating income (EBIT)	133.1	84.9	68.6	84.2	92.3
Other income & associates	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Net interest	(4.0)	(7.2)	(8.4)	(8.5)	(8.4)
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>129.0</b>	<b>77.5</b>	<b>59.9</b>	<b>75.5</b>	<b>83.7</b>
Taxation	(36.5)	(25.1)	(14.4)	(18.1)	(20.1)
Minorities/pref dividends	(25.9)	(10.1)	(10.8)	(11.7)	(11.7)
<b>Net profit</b>	<b>66.6</b>	<b>42.4</b>	<b>34.7</b>	<b>45.7</b>	<b>52.0</b>
Core net profit	66.6	42.4	34.7	45.7	52.0
Balance Sheet (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	205.8	205.9	236.5	265.2	291.9
Intangible assets	-	-	-	-	-
Other long-term assets	102.6	125.5	124.8	124.1	123.4
<b>Total non-current assets</b>	<b>308.5</b>	<b>331.4</b>	<b>361.4</b>	<b>389.3</b>	<b>415.3</b>
Cash & equivalent	89.8	102.4	(107.7)	(4.0)	100.2
Stock	-	-	-	-	-
Trade debtors	309.6	287.8	287.8	287.8	287.8
Other current assets	517.5	667.3	667.3	667.3	667.3
<b>Total current assets</b>	<b>916.9</b>	<b>1,057.6</b>	<b>847.5</b>	<b>951.2</b>	<b>1,055.3</b>
Trade creditors	477.6	447.9	447.9	447.9	447.9
Short-term borrowings	54.1	421.9	221.9	321.9	421.9
Other current liabilities	6.5	7.5	7.5	7.5	7.5
<b>Total current liabilities</b>	<b>538.2</b>	<b>877.2</b>	<b>677.2</b>	<b>777.2</b>	<b>877.2</b>
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	8.9	8.6	8.6	8.6	8.6
<b>Total long-term liabilities</b>	<b>8.9</b>	<b>8.6</b>	<b>8.6</b>	<b>8.6</b>	<b>8.6</b>
<b>Shareholders' funds</b>	<b>378.0</b>	<b>393.4</b>	<b>403.0</b>	<b>423.4</b>	<b>442.3</b>
Minority interests	33.7	14.7	25.6	37.3	48.9
BV/share (RM)	0.92	0.93	0.95	1.00	1.05
Cash Flow (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	129.0	77.5	59.9	75.5	83.7
Depreciation/Amortisation	15.9	16.6	19.3	21.3	23.3
Net change in working capital	(125.5)	(226.9)	-	-	-
Others	(48.1)	(37.6)	(5.8)	(9.4)	(11.5)
<b>Cash flow from operations</b>	<b>(28.7)</b>	<b>(170.4)</b>	<b>73.5</b>	<b>87.4</b>	<b>95.6</b>
Capital expenditure	(68.3)	(39.0)	(50.0)	(50.0)	(50.0)
Net investments & sale of fixed assets	2.0	-	-	-	-
Others	36.7	0.1	-	-	-
<b>Cash flow from investing</b>	<b>(29.7)</b>	<b>(38.9)</b>	<b>(50.0)</b>	<b>(50.0)</b>	<b>(50.0)</b>
Debt raised/(repaid)	268.3	(173.2)	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(26.8)	(29.6)	(25.2)	(25.3)	(33.0)
Others	(174.2)	330.8	(8.4)	(8.5)	(8.4)
<b>Cash flow from financing</b>	<b>67.4</b>	<b>128.0</b>	<b>(33.6)</b>	<b>(33.7)</b>	<b>(41.4)</b>
<b>Net cash flow</b>	<b>9.0</b>	<b>(81.3)</b>	<b>(10.1)</b>	<b>3.7</b>	<b>4.2</b>
<b>Net cash/(debt) b/f</b>	<b>227.4</b>	<b>236.2</b>	<b>154.7</b>	<b>144.6</b>	<b>148.2</b>
<b>Net cash/(debt) c/f</b>	<b>236.2</b>	<b>154.9</b>	<b>144.6</b>	<b>148.2</b>	<b>152.4</b>
Key Ratios (YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	-	(14.9)	(3.4)	13.5	4.8
EBITDA growth (%)	-	(31.8)	(13.4)	20.0	9.6
Pretax margin (%)	9.9	7.0	5.6	6.2	6.6
Net profit margin (%)	5.1	3.8	3.2	3.8	4.1
Interest cover (x)	33.3	11.9	8.2	10.0	11.0
Effective tax rate (%)	28.3	32.3	24.0	24.0	24.0
Dividend payout (%)	-	69.8	60.0	65.0	70.0
Debtors turnover (days)	87	95	98	86	82
Stock turnover (days)	-	-	-	-	-
Creditors turnover (days)	115	117	183	165	164

Source: Company, AmInvestment Bank Bhd estimates

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